

HOUSE BILL REPORT

HB 1690

As Passed House:

March 11, 2005

Title: An act relating to the applicability of certain taxes and assessments to state funded health care services.

Brief Description: Regarding the applicability of certain taxes and assessments to state funded health care services.

Sponsors: By Representatives Cody and Moeller.

Brief History:

Committee Activity:

Finance: 3/3/05, 3/7/05 [DP].

Floor Activity:

Passed House: 3/11/05, 93-0.

Brief Summary of Bill

- Exempts health plans that provide health services under the General Assistance - Unemployable program or health services under a demonstration or pilot medicaid program for elderly or disabled persons from the 2 percent tax on prepayments and assessments for the Washington State Health Insurance Pool.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 8 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Conway, Ericksen, Hasegawa and Santos.

Staff: Rick Peterson (786-7150).

Background:

A health maintenance organization (HMO) is an organization that provides comprehensive health care to enrolled participants through a group medical practice and charges per capita prepayments. Group Health Cooperative is an example of an HMO. A health care service contractor (HCSC) is an organization that provides health care in exchange for prepayments, but is organized differently than HMOs or insurance companies. Blue Cross affiliates are examples of HCSCs.

Every year HMOs and HCSCs are required to pay 2 percent of all premiums and prepayments for health care services to the Office of the Insurance Commissioner. The funds collected are deposited in the Health Services Account. The Health Services Account is an appropriated account that may be used for purposes related to access to health services for low-income residents; the public health system; maintenance and expansion of the capacity of the health care system; the containment of health care costs; and the regulation and administration of the health care system.

The Washington State Health Insurance Pool (WSHIP) is an entity established in statute to provide comprehensive health insurance to persons who, due to their health status, are unable to obtain coverage through the private market. Enrollees' premiums are capped, and losses in the pool are made up through an assessment charged all health carriers in the state. The assessment for a health care carrier is based on the ratio of the number of persons insured by the carrier to the total number of persons insured by all carriers.

General Assistance - Unemployable (GA-U) is a state-funded program that provides cash and medical benefits for individuals who are physically and/or mentally incapacitated and unemployable.

Summary of Bill:

Exemptions from the 2 percent health care premiums and prepayments tax are created for repayments received from Washington State for health services under the GA-U program and health services under a demonstration or pilot medicaid program for elderly or disabled persons.

Health plans that provide health services under the GA-U program or health services under a demonstration or pilot medicaid program for elderly or disabled persons are exempt from Washington State Health Insurance Pool assessments.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The state is having problems providing health care. It is a big challenge to determine how to provide the best care. The state is trying to move disabled clients into managed care programs. The state is paying for the programs and so is paying the tax. The bill will further efforts to design a program that better meets the health needs of the elderly and disabled. The state is using managed care providers as a means to control cost and make expenditures more predictable. These programs offer cost savings to the state. The premium tax and the assessments are not built into the rate the state pays for these programs.

Testimony Against: None.

Persons Testifying: Representative Cody, prime sponsor; MaryAnne Lindeblad, Department of Social and Health Services, Medical Assistance Administration; and Julie Johnston and Cassandra Undlin, Evercare.

Persons Signed In To Testify But Not Testifying: None